



S.B. 206

125th General Assembly
(As Introduced)

Sen. Austria

BILL SUMMARY

- Subject to school board approval, increases from ten to 15 years the period for which enterprise zone agreements or urban jobs and enterprise zone agreements may exempt real and tangible personal property from taxation and may require the provision of governmental services or assistance to project sites.
- Requires that the increased period be reflected in the statements that are required by law to be incorporated into enterprise zone agreements.
- Makes an appropriation of \$25.8 million to the Department of Development from the Job Development Initiatives Fund for Investment in Training Expansion, the Worker Guarantee Program, and Wright Operating Grants.

CONTENT AND OPERATION

Background of enterprise zones and urban jobs and enterprise zones

(R.C. 5709.61 to 5709.69, 5709.82, and 5709.83)

Under continuing law, the legislative authority of a municipal corporation or a board of county commissioners may designate enterprise zones, or a board of county commissioners may designate urban jobs and enterprise zones, in which businesses' project sites that are newly constructed, expanded, renovated, occupied, reopened (pertaining only to a large manufacturing facility), or environmentally remediated may qualify for property tax exemptions and other incentives to encourage job growth or retention. The incentives that may be offered by either of those subdivisions to businesses in an enterprise zone include the following:

? Real and tangible personal property tax exemptions for up to ten years, or up to 15 years if the project involves the enrichment and commercialization of uranium or uranium products or research and development activities related to that enrichment or commercialization **and** either the project includes a fixed asset investment of at least \$100 million or the Director of Development determines there are extraordinary circumstances (hereinafter "uranium enrichment and commercialization project").

? Exclusion of non-retail real or tangible personal property in determining a business's value for corporation franchise tax purposes or in determining the extent to which its income is taxed by Ohio for corporation franchise or personal income tax purposes.

? Governmental services or assistance provided by the subdivision for up to ten years, or up to 15 years for a uranium enrichment and commercialization project.

Property tax exemptions or other incentives granted to a business must be set forth in a written agreement. Continuing law establishes the format of the agreement, which must contain certain information and statements, including (1) a business's proposed investment in buildings, equipment, and inventory, (2) the estimated number of employees to be hired or retained and the payroll for them, and (3) the conditions under which incentives may be revoked.

A school board within the territory of which a project site is or will be located must be notified of any property tax exemption before the agreement is approved by the subdivision, unless the school board, in writing, has waived its right to be notified. Generally, school board approval is required for any property tax exemption that exempts more than 75% of the increased property value resulting from the agreement (in unincorporated areas, the threshold is 60%). Prior approval of a school board also is required for tax exemptions that are granted for more than ten years, but not exceeding 15 years, for a uranium enrichment and commercialization project.

The subdivision or business that enters into an enterprise zone or urban jobs and enterprise zone agreement may be required to compensate a school district for the property tax revenue forgone because of a tax exemption. If an enterprise zone is located in a municipal corporation that imposes an income tax, and the annual payroll of new employees at a project site is \$1 million or more, the school board must be compensated for at least a portion of forgone property taxes or agree to forgo compensation.

Enterprise zones under the bill

Increase in length of exemptions and provision of governmental services

(R.C. 5709.62 and 5709.63; 5709.632(C) (not in bill))

The bill increases to 15 years the period for which tax exemptions may be granted under an enterprise zone agreement, and also increases to 15 years the period for which a subdivision may agree to provide governmental services or assistance to a project site. The bill retains the requirement that school board approval must be obtained for any tax exemptions granted, or governmental services or assistance provided, for more than ten years, but not in excess of 15 years. In other words, a tax exemption or governmental service may be granted for between ten and 15 years, but only with the approval of the school board.

Moreover, the bill applies the extended time period to all types of project sites, not just those that involve uranium enrichment and commercialization projects. In doing so, the bill eliminates the \$100 million fixed asset investment trigger and the extraordinary circumstances requirement to which uranium-related projects currently are subject.

Increased period is reflected in the agreement

(R.C. 5709.631(B)(2))

As part of the statements incorporated into an enterprise zone agreement, current law requires that the agreement contain a clause stating that "in no instance shall any tangible personal property be exempted from taxation for more than ten return years unless the project that is part of the agreement involves the enrichment and commercialization of uranium, . . . in which case the tangible personal property may be exempted from taxation for up to fifteen return years."

The bill requires that the agreement contain a modified version of this statement conveying that in no instance may tangible personal property be exempted from taxation for more than ten return years, unless the school board approves exemption for a number of years in excess of ten, in which case the property may be exempted for that number of years, not to exceed 15 return years.

Department of Development appropriation

(Sections 3 to 5)

The bill requires the transfer of up to \$25.8 million of unclaimed funds to the Job Development Initiatives Fund, which is created by the bill, and appropriates this money to the Department of Development for Investment in

Training Expansion, the Worker Guarantee Program, and Wright Operating Grants.¹

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	03-09-04	p. 1605

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¹ See the Legislative Service Commission's Fiscal Note for S.B. 206 for a detailed discussion of the bill's appropriation provisions.